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REAP | Restoring Efficiency to Agriculture Production
საქართველოს სასოფლო-სამეურნეო
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RESTORING EFFICIENCY TO AGRICULTURE PRODUCTION (REAP) ACTIVITY IN GEORGIA

Quarterly Progress Report

Year 2. September 27, 2014-December 31, 2014



Restoring Efficiency to Agriculture Production (REAP) Activity in Georgia

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September 27, 2014- December 31, 2014

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Acronyms

APMA	Agricultural Projects' Management Agency
BOG	Bank of Georgia
BSP	Business Service Provider
C1	Component One
C2	Component Two
CBA	Cost Benefit Analysis
CIS	Commonwealth of Independent States
COP	Chief of Party
COR	Contracting Officer's Representative
DCA	Development Credit Authority
EMMP	Environmental Mitigation and Monitoring Plan
EOI	Expression of Interest
ERC	Environmental Review Checklist
EBRD	European Bank for Reconstruction and Development
FDWA	Facilitate Development of Women-owned Agribusinesses
FSC	Farm Service Center
GIS	Geographic Information Systems
I/E	Individual Entrepreneur
ISSET	International School of Economics at Tbilisi State University
ISP	Information Service Provider
IFC	International Finance Corporation
JSC	Joint Stock Company
M&E	Monitoring & Evaluation
MEO	Mission Environmental Officer
MSC	Machinery Service Center
PERSUAP	Pesticide Evaluation Report and Safer Use Action Plan
PMP	Performance Monitoring Plan
PP	Primary Production
PR	Public Relations
Q1	Quarter One
Q2	Quarter Two
Q3	Quarter Three
Q4	Quarter Four
RFA	Request for Application
REAP	Restoring Efficiency to Agricultural Production
RFQ	Request for Quotations
SME	Small and Medium Enterprises
SOW	Scope of Work
STTA	Short Term Technical Assistance
TA	Technical Assistance
TEC	Technical Evaluation Committee
TOC	Terms of Cooperation
TVET	Technical and Vocational Education and Training
USAID	United States Agency for International Development
VET	Vocational Education and Training

Executive Summary

The first quarter of Project Year 2 (PY2) of the REAP program was both eventful and revealing. Eventful in that all elements of REAP now are in place, functioning, and delivering impact. Revealing in that well over a year of practical implementation enables program management to draw some key conclusions. The combination of these two allows REAP to continue its current course with some appropriate but minor adjustments.

This quarterly review enabled REAP to assess its accumulated lessons learned to determine if they remain operative, should be expanded, or require modification. Conclusions drawn from more than a year of implementation continue to guide future directions. REAP can cite a key and fundamental lesson learned through the quarter that validates current implementation processes and procedures. That is, all grantees to date have indicated that the REAP grant served as a catalyst for and inducement to act on their agribusiness investment plans. The REAP grant was sufficient incentive for them to gather the 70% required match to complete the investment immediately rather than at some time in the future. Thus, not only is REAP reaching entrepreneurial grantees, but the grant itself directly stimulates the creation of badly needed and sound agribusinesses. This is precisely the impact REAP grants were intended to have.

Other key lessons drawn from prior quarters were substantiated during the reporting quarter. Among these are that REAP can easily implement its grant program total of \$6million; that REAP outreach methods are effective; that REAP grants are attractive nationally; that REAP's technical assistance component increases grant desirability; and that continuing high interest in REAP grants reflects true market demand.

Equally important is an inference based on REAP total experience to date. It is important for REAP to present to USAID for approval grants judged to be the best development and financial investment projects, rather than grants based on more arbitrary criteria such as program direction, enterprise location, or ownership structure.

An additional program conclusion that can be accepted now is that the REAP implementation formula is successful and should guide subsequent grant management. Roughly presented: Outreach must be carefully focused, since REAP seeks unique and specific types of grantees; Grants must be conceived and based on private sector market forces; and that Technical Assistance (TA) should serve to reduce the grantee's investment risk and increase enterprise competitiveness. This model now has been fully tested through two REAP cycles.

While REAP cross-cutting activities may not have been prescribed for substantial program impact, they have become more significant than anticipated. Most notably, access to finance has emerged as a key ingredient in REAP implementation. Bank training that has led to substantive initiatives with two major Georgian banks will have significant influence on lending into the agriculture sector. The potential impact of this cannot be overemphasized. Similarly, the REAP gender initiative not only broke new ground in improving female participation in enterprise management and ownership, but also produced a potential model for addressing youth in agribusinesses in later quarters. Progress in these areas reflects REAP flexibility and ability to innovate.

Activities during the quarter brought the emergence of several new directions. These include establishing systematic and inexpensive soils testing with reliable partners, examining means of establishing blueberry production, developing guidance for beneficiaries in assessing Deep and Comprehensive Free Trade Agreement (DCFTA) implications and providing related strategies, addressing the certification needs of all beneficiaries, entering the hazelnut sector in collaboration with AgriGeorgia possibly through cross-border cooperation with USAID/Azerbaijan, and use of demonstration plots to introduce higher technologies and best practices.

An important benchmark in the current quarter was that REAP completed its staffing pattern. Two remaining professional positions were filled providing REAP maximum support in critical finance and procurement areas. REAP also now has developed an effective practice in utilizing interns to provide meaningful program support while affording them needed experiential opportunities.

Another milestone for REAP in the current quarter was accumulating sufficient experience with donors and other development practitioners to understand where useful opportunities for collaboration and cooperation lie. This insight provides a basis for REAP to build effective partner collaboration over remaining program years.

Emerging or continuing problems surfacing during the quarter included the inherent practical difficulties in international procurement. REAP is expending considerable time and resources in finding creative solutions to this serious impediment. Another though very different type of implementation problem is that the market for REAP grants will overwhelm program resources and raising the possibility that there will be unmet demand for REAP's grant program.

An important reality that continues to circumscribe REAP activities is the primacy of the individual entrepreneur in program operations. It is the agribusiness owners and managers that affect REAP's ability to realize its ambitious goals. It is crucial that program focus remains on finding and supporting this unique and indispensable individual.

Summary of Achievements in Quarter 1

Component 1: SME Development in the Agriculture Sector	Component 2: Technical Assistance Program	Cross Cutting
<ul style="list-style-type: none"> • Procurement completed for 6 grantees; • 44 applications from female entrepreneurs received and scored through REAP's Gender Initiative; • 15 applications received passing scores and site visits underway; • REAP's grantee Georgia Business Zone opened by Minister of Agriculture; • REAP's grantee Lomtagora becomes operational and sells 7.8 tons of enriched wheat seeds to Georgian farmers. 	<ul style="list-style-type: none"> • Eight companies received individual consulting brand identity and labeling strategies; • Nine grantees and three branding companies participated in instrumental workshop on modern branding, packaging, and marketing solutions; • 32 farmers and extension agents attended demonstration on no-till and minimum till farming; • ISO CONSULTING selected and begins ISO 22000 accreditation with grantee Farkoni Ltd. 	<ul style="list-style-type: none"> • TOC signed with Bank Republic to design an agriculture lending strategy; • PERSUAP of USAID/GEORGIA conducted and 12 FSCs/MSCs trained in IPM and safe pesticide usage; • DCFTA Analysis Report developed; • \$2.2M commercial loan facilitated for non-grantee enterprise; • MOU signed between Ministry of Diaspora Affairs and USAID.

Detailed REAP Progress by Activity and Component

Operations, Facilities and Equipment:

In Q1, REAP continued to occupy its facilities at 47 Kostava St. To accommodate the expansion of REAP's staff, REAP obtained necessary furniture from USAID's New Economic Opportunities project.

Staffing:

Long-Term Staff

REAP added two new staff positions and filled one vacant position bringing the total full-time employment of REAP to 27 persons. In October, CNFA deployed an additional expat to assist the COP and DCOP with project management, grant disbursement, procurement and communications. With procurement becoming a major activity for PY2, REAP hired a local Grants Procurement Specialist to support REAP's Finance and Administration team and to coordinate procurement process activities including RFQ development and invoice administration. To support new grantees in the mobilization of their grant projects, organize group trainings and monitor milestones, REAP filled a vacant Regional

Coordinator to oversee and support grantees with farmer training exercises. REAP placed job descriptions on www.jobs.ge and experienced no difficulties in attracting qualified individuals to fill the respective positions. The table below indicates the mobilization date for REAP's three new employees.

Position	Status	Start-date
Field Program Officer (Expat)	Mobilized	October 6, 2014
Grants Procurement Specialist	Mobilized	November 7, 2014
Regional Coordinator	Mobilized	October 17, 2014

Internship Program

REAP continued its internship program to provide workforce development opportunities for university students, providing internship opportunities for nine individuals. Beginning in early January, REAP's new internship class will start. These interns will be paired with the appropriate REAP staff member who will serve as their mentor. In November, REAP solicited applications for internships in the following areas: access to finance, gender and youth, workforce development, monitoring and evaluation, environment, finance and administration, and grants. REAP received more than 200 applications from interested university students and in early January, 15 individuals will enter REAP's internship program.

Document and Deliverables Submission:

REAP submitted to USAID its annual report for Project Year 1, PY2 Work Plan, various STTA reports and an Annual Newsletter for USAID's review and approval. A summary of documents submitted to USAID in Q1 may be found in the table below.

Document	USAID Submission	Submission Date	USAID Approval
Project Work Plan			
<i>Year 2 Work Plan</i>	Submitted	September 26, 2014 Resubmitted November 28, 2014	Approved
Project Reports			
<i>Year 1 Annual Report</i>	Submitted	October 31, 2014	Approved
RFAs and EOIs			
<i>Grant RFA 03/2014</i>	Submitted	October 8, 2014	Approved
<i>Grant RFA 04/2014</i>	Submitted	November 25, 2014	Approved
TOCs			
<i>Agriculture Lending Strategy with Bank Republic</i>	Submitted	October 6, 2014	Approved
Short-Term Technical Assistance Reports			
<i>Postharvest Training Delivery</i>	Submitted	November 1, 2014	Approved
<i>Agriculture Lending Training</i>	Submitted	November 10, 2014	Approved
<i>Development of Branding Identity for REAP Grant Recipients</i>	Submitted	November 19, 2014	Approved
Communications Materials			
<i>Project Year 1 Annual Newsletter</i>	Submitted	October 20, 2014	Approved

Program Outreach and Communications:

In Q1, REAP held five outreach events to answer questions and provide additional instructions to Gender Initiative participants interested in submitting an application in response to REAP's RFA 003/2014. Led by REAP's Agribusiness Investment Director and Gender Specialist, outreach events were held in Adjara, Guria, Samegrelo-Zemo Svaneti, Shida Kartli and Kakheti. As RFA 003/2014 was targeted towards 75 Gender Initiative participants, outreach events were smaller in number and size than previous grant outreach programs.

USAID's Trade Fair

On October 18th, REAP participated in USAID's Economic Growth Office Trade Fair where, US Embassy staff had the chance to interact with and purchase goods from five of REAP's grantees and five Gender Initiative participants. US Embassy workers were able to see firsthand their beneficiaries and support their businesses while buying fresh fruit and vegetables, cheese, tea and a favorite local snack, Churchkhela.



Component 1: SME Development in the Agriculture Sector

RFA 003/2014

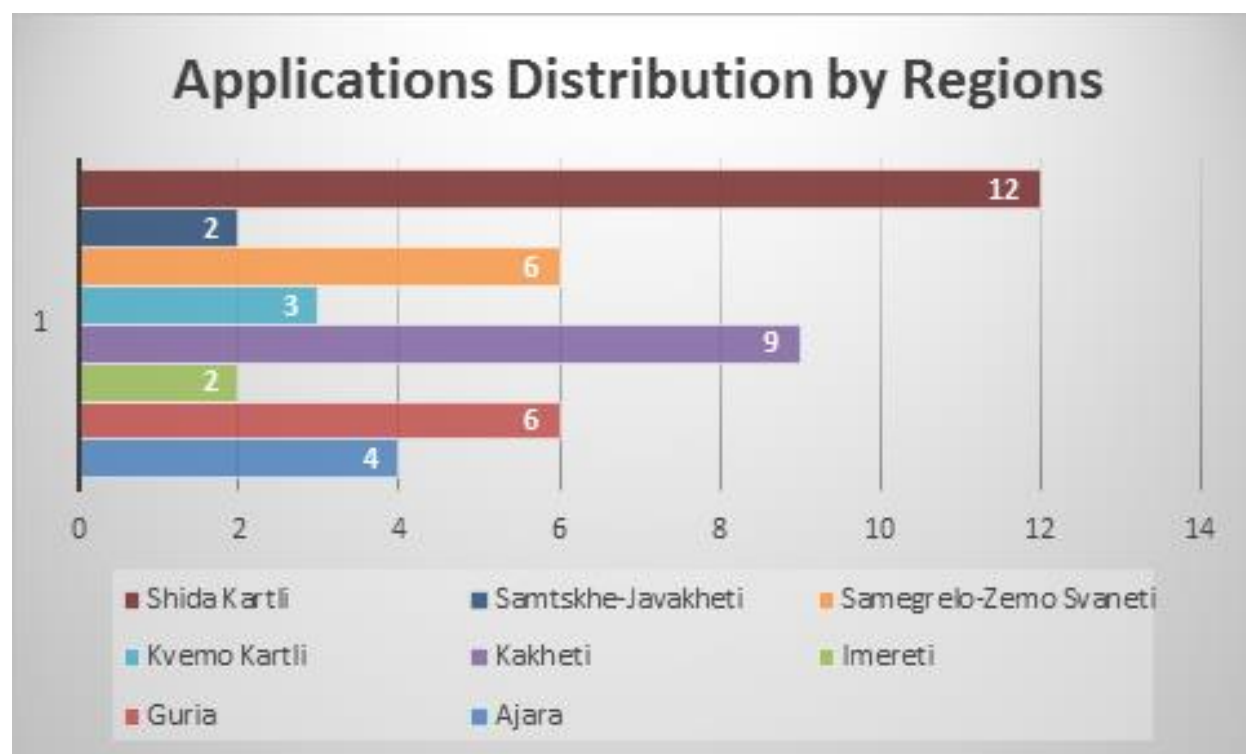
In summer 2014, REAP launched its innovative Gender Initiative to mobilize women entrepreneurs for training and capacity building to assist them qualify for REAP's grant program. In October 2014, REAP released RFA 003/2014 soliciting applications from Gender Initiative participants. Prior to RFA release, REAP engaged four BSPs to provide grant writing and business plan development training to Gender Initiative participants. This training proved critical in ensuring applications met REAP's quality standards and contained relevant information needed for evaluation. The RFA was posted on www.jobs.ge and www.reap.ge web sites and Component 1 staff and REAP's gender specialist conducted orientation meetings on REAP's priority directions and goals for gender initiative participants as well as the implementing BSPs.

By the close of the RFA on November 20, 2014 REAP received 44 applications from Gender Initiative participants in response to RFA 003/2014. The distribution per REAP's strategic directions followed past RFA announcements with PHHP receiving the most applications.

RFA 003/2014 Applications

Priority Direction	Number of Applications	Requested Amount (\$)
Primary Production	12	\$145,300
Farm Service and Machinery Service Centers	8	\$400,401
Postharvest and Processing	23	\$1,752,646
Information Service Providers	1	\$12,000
Total	44	\$2,310,347

Out of 44 applications, 7 applications were rejected due to the following reasons: 1) incomplete application form (missing attachments and financial information); 2) failure to meet the minimum matching investment requirements; and/or 3) the requested grant amount exceeded the limitations of the specific priority direction. The regional distribution of submitted applications are depicted in the chart below:



Utilizing REAP's approved scoring matrix, the remaining 37 applications were scored by a Technical Evaluation Committee (TEC) consisting of REAP's Agribusiness Investment Director, Primary Production Specialist and Postharvest and Processing Specialist. On December 17th, the TEC held a consensus scoring meeting and REAP's COR and CNFA's Vice President for Programs participated as non-voting members.

Based on the consensus scoring meeting, 15 applications received passing scores, met all eligibility criteria, appropriately aligned with REAP's goals and objectives and provided accurate and complete

information. As with previous grant rounds, the geographic distribution of passing applications is nationwide. The detailed list of passed applicants is provided below:

Name of the Applicant	Region	Site of Project Implementation	Type of Project	Requested Amount
Cooperative Dioknisi	Adjara	Khulo	PHHP	\$3,970
I/E Khatuna Malakmadze	Adjara	Khelvachauri	PP	\$5,800
I/E Ia Urushadze	Guria	Ozurgeti	PP	\$10,000
I/E Iali Chankseliani	Guria	Ozurgeti	PP	\$6,000
I/E Natela Tsetskhladze	Guria	Ozurgeti	PP	\$6,000
Nektari Ltd	Imereti	Chiatura	FSC	\$12,457
GILE Cooperative	Kakheti	Gurjaani	PHHP	\$97,834
I/E Marina Akolashvili	Kakheti	Gurjaani	PHHP	\$150,000
Laboratory Dr. George Ltd	Kvemo Kartli	Mukhrovani	PHHP	\$44,350
I/E Tamar Margvelani	Samegrelo-Zemo Svaneti	Mestia	FSC	\$12,000
Gemuani Ltd	Samegrelo-Zemo Svaneti	Zugdidi	PHHP	\$147,200
I/E Ia Chkadua	Samegrelo-Zemo Svaneti	Mestia	PHHP	\$15,000
Santa Ltd	Samtskhe-Javakheti	Tsalka	PHHP	\$149,675
Zoreti Ltd	Samtskhe-Javakheti	Borjomi	PHHP	\$47,550
Vardzia Ltd	Samtskhe-Javakheti	Aspindza	PHHP	\$81,700

To verify financials, ensure applicants are adhering to environmental protocols and negotiate the terms of the grant agreement, REAP's Component 1 team and Environmental Specialist conducted site visits for 10 passing applicants. The remaining five site visits, from Samtskhe-Javakheti and Svaneti regions, will be conducted when weather conditions allow in January. After information is verified through the site visits, REAP's Component 1 team will work with the grantees, and REAP's Technical Assistance team to draft Investment Proposals for USAID's approval.

Grants Implementation

All 36 grant projects approved in PY1 are in an active phase of implementation and throughout Q1, REAP continued to track grantees' progress and monitor their cost share contributions prescribed in their grant agreements. By the end of Q1, REAP's \$653,844 in disbursed grant funds has leveraged more than \$4.3M in matching investment from the private sector.

	FSC/MSC	PHHP	PP	ISP	Total
Cost Share Committed	\$5,099,862	\$5,987,467	\$115,392	\$151,585	\$11,353,306
Cost Share Spent	\$1,810,534	\$2,424,516	\$46,543	\$28,410	\$4,310,003
Grant Funds Committed	\$1,878,414	\$1,704,088	\$39,050	\$64,245	\$3,685,797
Grant Funds Disbursed	\$151,381	\$476,851	\$25,612	\$0	\$653,844

Each grant project is assigned an activity manager who, in coordination with field coordinators based in Telavi and Kutaisi, is responsible for overseeing the implementation of the grant project. Information regarding cost-share, sales and purchases of raw materials, as well as information on new jobs and commercial finance are collected on a monthly basis. To date, REAP's active grantees created 75 new rural jobs, sold \$2.8M in new products, accessed more than \$4M in new commercial finance and provided \$1M in new cash markets for small holder farmers. Please see Annex A for a map of REAP's grantees. Below is information regarding three of REAP's grantees that began operations in Q1.

GBZ Grant Opening

On October 28th, REAP supported Georgia Business Zone conducted a ribbon cutting ceremony to mark the opening of their new cold storage facility. Attended by the Minister of Agriculture and Director of APMA, this groundbreaking 260 MT cold storage facility is the first in the Samtskhe-Javakheti region and will provide new cash markets for more than 140 fruit and vegetable farmers and enable them to store their product to participate in higher off-season prices.



Lomtagora

In November, REAP's grantee Lomtagora, a Georgian seed producer, completed the mobilization phase of their grant project and began operations in their newly renovated facility. Access to high quality certified seed is a constant challenge for Georgian smallholder farmers, and with REAP's assistance, Lomtagora upgraded their production line, that for the first time, will allow Georgian farmers to purchase modern, high quality locally produced corn and wheat seeds. These seeds will improve germination rates, increase productivity and lead to higher incomes for Georgian farmers.



Utilizing state of the art seed cleaners, sorting and packaging equipment co-financed by REAP, Lomtagora filled its first order of 7.8 tons of enriched wheat seed. These seeds will be planted on 30 Ha of land with an expected harvest of 150 tons, providing more than double the traditional yield to Georgian farmers.

Geoflower

Located in the remote town of Ambrolauri, Geoflower is engaged in the collection and processing of wild berries. With REAP's support, Geoflower upgraded their processing lines and introduced cold storage facilities that will enable them to collect and process apples, lemons and mandarins from regional smallholder farmers. In December, Geoflower received and installed their modern dryers and have already purchased 38 MT of mandarins and lemons from 20 farmers in Guria that were processed and sold to Martin Baur's tea company in Germany. This year, Geoflower anticipates increasing their purchases of mandarins and lemons to 400 MT, creating new cash markets for smallholder farmers in Guria.

Procurement for Grant Projects

In Q1, procurement of agricultural machinery and processing equipment became a major programmatic activity. Throughout the quarter, REAP completed procurement for six grantees with another 14 underway. The remaining projects are completing their milestones necessary for procurement, including construction which is delayed by the winter season.

Due to limited demand for fresh fruit and vegetable processing equipment in Georgia and former Soviet Union countries, REAP experienced moderate difficulties procuring this equipment from countries authorized within REAP's Geographic Codes. To address this issue and make linkages with suppliers, REAP mobilized a specialist to participate in an international fresh fruit and vegetable trade conference described in more detail below.

Establishing linkages with potential suppliers

For sufficient and effective implementation of REAP, it is crucial to avoid any delays in implementation of grant projects, caused by the absence of projected equipment locally and from countries under the approved Geographic Code.

To address procurement challenges, REAP proactively participated in the leading B2B conference in the CIS - Annual Fruits & Vegetables of Ukraine -2014. The conference facilitates linkages between more than 300 buyers and suppliers of fresh fruit and vegetable processing equipment and provides up-to-date trends in processing technologies. With USAID's approval, REAP's Agricultural Technology Specialist participated in this conference held December 8-10, 2014 in Kiev, Ukraine.

During the conference, REAP's Agricultural Technology Specialist organized meetings with local producers of processing equipment and with vendors of well-known EU processing equipment brands that have representation offices in CIS countries. Numerous suppliers of fresh fruit and vegetable equipment were identified and discussions are underway for them to become potential vendors supplying much needed equipment to REAP grantees.

USAID Site Visits to Grant Projects

Based on USAID's visit to REAP grantee Chirina Ltd, USAID's Economic Growth office management decided to review REAP's grant portfolio and categorize grantees by their number of employees and annual turnover, which serve as criteria for FTF and GeoStat's SME definition respectively. Based on the above criteria, 12 grantees exceeded GeoStat's definition of SMEs – those with turnover greater than GEL 1.5M; however only one grantee Chirina, exceeded USAID's Feed the Future definition, and had greater than 100 employees. To better understand REAP's typical grantees, REAP's COR and a Project Manager Assistant to the EG Office visited several "larger" grant projects in REAP's portfolio. The following companies were selected and visited by the USAID team in November-December.

Name of the Applicant	Project Type	Region	Site visit
Agrokartli Ltd	FSC/MSC	Shida Kartli/Gori	
Aromaproducti Ltd	PHHP	Kvemo Kartli/Tbilisi	4-Dec-14
Chirina Ltd	PHHP	Kvemo Kartli/Gardabani	19-Nov-14
Agrovita Ltd	FSC/MSC	Kakheti/Gurjaani	8-Dec-14
Agroservice Ltd	FSC/MSC	Kakheti/Telavi	8-Dec-14
Farmer House Ltd	FSC/MSC	Ajara/Khulo	16-Dec-14
Herbia Ltd	PHHP	Imereti/Tskaltubo	15-Dec-14
Campa Ltd	PHHP	Mtskheta-Mtianeti/Saguramo	4-Dec-14
Gvaza Ltd	FSC/MSC	Samegrelo-ZS/Senaki	15-Dec-14
Luk agro Ltd ^[1]	FSC/MSC	Kakheti/Signagi	
Rural Advisory Service Ltd	FSC/MSC	SJ/Akhalsikhe	
Agroinvestservice Ltd	PHHP	Ajara/Batumi	16-Dec-14

In addition, during the trip to West Georgia, REAP's COR visited the grant recipient Agropharm Plus, a soil testing laboratory in Guria, Anaseuli. Based on USAID's site visits, it was determined that, despite their high turnover, REAP had selected grantees that would positively impact the livelihoods of smallholder farmers. As a result, USAID agreed that turnover is not a viable indicator for defining small, medium and large enterprises and subsequently issued a technical directive described in more detail below.

Technical Directives and Proposed Contract Amendment

Technical Directives

During Q1, REAP received two technical directives from USAID and formally requested a contract amendment. The first, issued on October 6th, directed REAP to reengage the provision of technical assistance to non-grantee enterprises. This technical directive reversed an earlier one that instructed REAP to focus its technical assistance interventions towards grantees and realigned REAP with original contract objectives. With previously approved technical assistance applications and scoring forms in place, REAP seamlessly reintegrated this element back into project activities and is reflected in REAP's approved Year 2 Work Plan. Please see technical assistance to non-grantees for more information.

^[1] This grant project was visited by COR in October, so site visit to this FSC was not conducted at this time.

REAP's second technical directive, issued on December 23rd, defined small and medium sized enterprises eligible for REAP's grant program as entities with less than 100 employees. USAID issued this technical directive to bring REAP's grant program in line with USAID's FTF definition for MSMEs. While REAP previously operated without this cap, REAP anticipates no constraints obligating remaining grant monies to commercially viable enterprises that fulfil this requirement.

Proposed Contract Amendment

Per REAP's contract, REAP's grant funds are disaggregated into two categories: 1) FSCs/MSCs and 2) PHHP, PP and ISP. Contractually, REAP shall not disburse more than \$4M to category 1 enterprises and no more than \$2M to category two. During PY1, REAP obligated \$3.7M in grant monies to the best investment projects. The breakdown based on categories is as follows:

Category	Priority Direction	Grant Projects	Grant Monies Obligated	Grant Monies Remaining
1	FSC/MSC	16	\$1,878,414	\$2,121,586
2	PHHP	15	\$1,704,088	\$192,617
	PP	4	\$39,050	
	ISP	1	\$64,245	
Total		36	\$3,685,797	\$2,314,203

As REAP is approaching its limit to assist category 2 enterprises and based on the demand from applicants responding to RFA 003/2014, the project formally requested a contract amendment that will remove the limits by category but will maintain a \$6M cap on the grant fund. Once approved, REAP will modify relevant documents and submit to USAID for approval.

Component 2: Technical Assistance Program

REAP's technical assistance component provides custom-designed services and group trainings to agricultural enterprises and commercial farmers to support the sustainability of increased agribusiness investment and improve on-farm production and quality. In Q1, REAP provided individual consultancies and group trainings across three priority directions: packaging and labelling, farmer field days and food safety and quality standards.

Packaging and Labeling Consultancies and Workshops

Based on technical assistance integration plans for individual grantees, REAP engaged an international short-term agricultural marketing consultant to assess the local marketing conditions and to provide individual consultancies and group trainings to postharvest handling/processing business and support service providers on improved marketing and branding strategies. The consultant visited the facilities and met with the executive management of eight grantees to identify their specific branding needs and to provide tailored recommendations that will assist their establishment of solid and functional brand identities. The consultant also met with five local



branding agencies to understand the capacity and capabilities of local service providers. Based on the consultant's assessment of the capacity of local branding companies and the needs of the grantees, the consultant held a one day workshop on market research, effective brand strategies, compelling packaging design and related marketing activities.

In line with the consultant's recommendations and requests from participating grantees, in early December REAP announced an RFP to solicit proposals from qualified local marketing firms to provide marketing support to eight of REAP's grantees. Beginning in January, the contracted firms will provide one-on-one consulting to REAP's grantees and with the technical supervision of an international marketing consultant will develop customized brand imagery, packaging designs and communications strategies.

Individual Consultancy in Food Safety and Quality Standards

To support Georgia's export potential to higher value European markets, REAP's technical assistance program aims to introduce internationally recognized food safety and quality standards. At the request of REAP's grantee Farkoni Ltd., a collector and processor of wild fruits and berries, REAP developed an RFP to identify qualified BSPs to provide ISO 22000 accreditation consultancy. This consultancy, 50% co-financed by Farkoni, will bring Farkoni in line with modern food safety management standards and enable them to expand their presence in new markets. In December, REAP's technical evaluation committee selected local consulting firm ISO CONSULTING to provide technical assistance and to oversee Farkoni's ISO 22000 accreditation process which will be completed by the end of Q3.

Farmer Field Days

In line with REAP's Demonstration Plots Action Plan, REAP hosted a farmer field day in Dedoplistskharo to demonstrate modern grain varieties and to showcase no-till and minimum till technologies. Hosted by REAP's FSC grantee this 5 Ha demonstration plot utilized nine varieties of improved grain seeds donated by REAP's grantee Lomtagora and was attended by 32 farmers and representatives from Mechanizatori, state extension services, students from the Agrarian University and other FSC grantees. This event received publicity in



Georgia's "Agrarian Georgia" which highlighted the farmer field day and the benefits it has on improving the production and incomes of farmers. REAP's demonstration plot consultant continues to monitor the site and as of December, of the nine varieties planted the "jagger" variety utilizing no-till farming is demonstrating the strongest growth. REAP will host two more farmer field days at this site showcasing pest management and harvesting practices and will host an addition 12 farmer field days in PY2.

In addition, in October REAP organized an Open Door Day on the site of REAP's grantee Lomtagora. Lomtagora is a leading grain seed producer in Georgia. This Open Door Day brought representatives from the Academy of Natural Sciences, the Technical University, the Agricultural Research Center, local agricultural consulting firms, the Ministry of Agriculture and local farmers to Lomtagora's demonstration

farm to highlight improved wheat varieties, strengthen commercial linkages among producers, input suppliers and FSCs and encourage linkages between educational institutions and the private sector.

Technical Assistance to Non-Grantee Enterprises

In Q1, REAP received technical directive to resume providing individual technical assistance to non-grantee enterprises. Non-grantee technical assistance provided by REAP focuses on business management/marketing, farmer demonstrations, quality standards and certifications, postharvest handling and workforce development. Based on market demand and the ratification of the DCFTA, REAP envisions the majority of non-grantee technical assistance to be focused on improving quality standards and assisting enterprises obtain internationally recognized accreditations such as ISO, HACCP and Global GAP. REAP reposted its USAID approved non-grantee technical assistance application on www.reap.ge and www.jobs.ge and in Q2 will begin an aggressive outreach campaign to market REAP's non-grantee technical assistance program.

In PY1, REAP supported non-grantee Stimor Associates to develop a bankable business plan and to source affordable and appropriate financing. Utilizing this business plan, Stimor Associates closed on a \$2.2M commercial loan in Q1 that will enable them to expand their greenhouse production of off-season tomatoes, cucumbers, bell peppers and eggplants. With this increased financing, Stimor Associates will hire an additional 27 full-time employees and serve as a model greenhouse operator for the Georgian agricultural sector.

In December, REAP received a non-grantee technical assistance application from Agro Group Vanrik. Based on REAP's success with Stimor Associates, the Partnership Fund recommended Agro Group Vanrik to apply for technical assistance to support their production of 50ha of blueberries. Blueberry production is an underserved sector in Georgia with potential for export to European markets and if developed, can provide substantial benefits to rural incomes and employment. REAP is working with Agro Group Vanrik to design their technical assistance package and will submit to USAID for approval in early Q2.

Monitoring and Evaluation (M&E)

Throughout Q1, REAP's M&E Manager continued to monitor indicators and performance that relate to REAP's strategic goal, objectives and sub-objectives outlined in REAP's Results Framework. To ensure the validity of data quality and proper collection methodology, REAP's M&E Manager conducted regular site visits to REAP's grantees and provided workshops for grant recipients and Regional Coordinators to provide detailed instructions on data collection.

In Q1, REAP collected sales data from seven postharvest handling and processing enterprises, two primary producers and one information service provider. To date, all 16 of REAP's FSCs/MSCs are still under construction and data collection will begin in earnest in Q2.

REAP continues to monitor and collect data for the 11 enterprises involved in the CBA and during the upcoming quarter, REAP's M&E Manager will visit the 11 enterprises to conduct mini-surveys of their direct beneficiary farmers to help quantify the CBA.

Environmental Management and Monitoring

Environmental Monitoring

Throughout Q1, REAP's Environmental Specialist conducted monitoring visits for Round 1 grantees to ensure adherence to their Environmental Monitoring and Mitigation Plan (EMMP). In addition, the Environmental Specialist completed and submitted to USAID Environmental Review Checklists (ERCs) for all 27 approved Round 2 grantees. The ERCs were subsequently approved by USAID's MEO and REAP's COR.

PERSUAP and IPM Training

At the request of USAID, REAP's Environmental Specialist and an international environmental consultant conducted a three week in-country assignment to update and revise USAID/Georgia's Pesticide Evaluation Report and Safe Use and Action Plan (PERSUAP) that will ensure all USAID supported projects are in compliance with USAID's environmental regulations (22 CFR 216). The international consultant conducted numerous site visits around Georgia and met with representatives from FSCs, primary producers, agrochemical distribution companies, the National Food Agency and the Department of Phytosanitary. The updated PERSUAP will be submitted to USAID for in January, 2015.

In addition, in Q1 REAP organized a half-day PERSUAP training session to improve knowledge of REAP's beneficiaries in USAID's environmental regulations on pesticide support and integrated pest management. The training session was led by REAP's international environmental consultant and attended by 12 FSC/MSCs, USAID's NEO, and Farmer-to-Farmer programs. The training covered three main topics: 1) Integrated Pest Management (IPM) for selected crops; 2) safe pesticide storage in USAID Farm Service Centers and pesticide bottle disposal; and 3) USAID's regulations to reduce pesticide risks on USAID Projects including GlobalGAP and IPM.



Cross Cutting Activities

Gender

Mainstreaming gender perspectives throughout REAP's activities continued through the following five pillars:

- 1) **Facilitate the Development of Women-owned Agribusinesses:** In Q1, REAP's pilot gender initiative supported the development of women-owned agribusinesses with the following actions:
 - REAP revised its approach for the selection of applications from the pool of women trainees and opened its Grant Program (see RFA 003/2014 for more information) to qualified women trainees.

- REAP identified Facilitate Development of Women-owned Agribusinesses (FDWA) alumnae to organize regional capacity building seminars on access to finance for women owned agricultural enterprises. This roundtable will take place in early January and will provide FDWA alumnae with an overview of loan application requirements and procedures.
 - In cooperation with REAP's DCOP, REAP's C1 Component Specialists and REAP's Agriculture Technology Specialist, REAP's Gender Specialist is developing recommendations to identify interventions to address the needs of those FDWA alumnae that failed to apply to REAP's Grant Program or those 'near qualifier' FDWA alumnae that did not pass (as well as those potential members of REAP's strategic platform that did not participate in FDWA initiative).
- 2) **Raise the visibility of FDWA alumnae and REAP:** To increase awareness of REAP's FDWA program, FDWA alumnae participated in several events organized by various stakeholders, including *USAID's Beneficiaries Artisanal Showcase and Sale 2014*; presented at the 'Agriculture Enterprises as Role Models' conference for USAID's Global Diaspora Week; EBRD's Seminar on Women Entrepreneurship within the framework of UN's Women's Entrepreneurship Day; and, Women in Business Reception hosted by US Ambassador.
 - 3) **Primary data collection:** Based on USAID/Georgia's interest to conduct an agriculture focused gender assessment, REAP's Gender Specialist followed up with the USAID/Caucasus Mission Gender Advisor to discuss the opportunity of linking REAP with USAID/Washington's Gender Unit Team to provide feedback and comments on REAP's gender collection methodology, questionnaires and final report. USAID/Washington agreed and REAP's Gender Specialist will begin developing a gender collection methodology in Q2 to inform USAID/Georgia's analysis.
 - 4) **Identify potential linkages between the REAP and other stakeholders active in the field of gender and agriculture and / or agriculture development:** Bank Constanta contacted REAP to inquire about an opportunity to develop a joint initiative for women entrepreneurs. After several meetings with REAP's Access to Finance and Gender Specialist, Bank Constanta further expressed an interest to develop a new credit product for women entrepreneurs and asked REAP to assist them contact FDWA alumnae so they may better understand the credit needs of women entrepreneurs.

Access to Finance

In Q1, REAP's Access to Finance activities accelerated beyond initial expectations and REAP successfully assisted enterprises in accessing more than \$3M in new commercial financing. REAP's Access to Finance activities centered around assisting enterprises develop bankable business plans and providing technical assistance to targeted commercial banks.

Loan Financing for Grantees and Non-Grantee Enterprises

In Q1, REAP's Access to Finance Specialist worked closely with REAP's grantees to understand their credit needs and history and to develop bankable business plans. REAP then shopped these business plans to commercial banks participating in APMA's "Cheap Credits Program". In all cases, REAP's financial contribution and technical assistance buys down the risk for banks and raises the credit worthiness of REAP's grantees. Notable successes include a \$279,000 loan for AromaProduct and a \$240,000 loan for AgroService. In addition, REAP facilitated a \$2.2M loan for non-grantee enterprises Stimor Associates (see Technical Assistance for Non-Grantees for more information).

Terms of Cooperation with Bank Republic

As a result of REAP's loan officer training in PY1, Bank Republic approached REAP to receive technical assistance to improve their agriculture lending portfolio. In November, REAP and Bank Republic's Deputy CEO signed a landmark Terms of Cooperation (TOC) where REAP will engage an international consultant to develop an agriculture lending strategy and Bank Republic will utilize the strategy to commit 20M GEL in new agriculture lending. The consultancy will begin in January and will cover sub-sector identification, new product development, development of a new operational structure and a detailed marketing plan.



Terms of Cooperation with Bank Constanta

The unavailability of investment and working capital remains a key constraint for SMEs and smallholder farmers in Georgia. Impediments to accessing finance in the agriculture sector involve financial institutions offering loan products with inappropriate maturity terms, high commissions and unaffordable interest rates. To resolve these obstacles and stimulate capital in the agriculture sector, new agriculturally oriented products must be designed and marketed to meet the unique needs of the sector.

In December, REAP finalized negotiations with Bank Constanta on a technical assistance package where REAP will provide short term technical assistance to Bank Constanta to develop new appropriate and affordable agriculture loan products. Initial loan products to be assessed and developed include: a) purchase order financing; b) warehouse receipts; c) wholesaler financing; and d) social oriented loans. REAP's technical assistance to Bank Constanta will begin in January and is anticipated to last through Q3.

Workforce Development

In PY2, REAP will focus its workforce development activities on facilitating linkages between vocational colleges and the private sector and will provide direct training to university instructors. In October, CNFA Georgia facilitated a MOU between Tbilisi State University and three of REAP's grantees: Georgia Business Zone, Campa and Geoflower, to provide internship opportunities for students studying biotechnology and biosciences. These internships will provide critical on the job training and will assist companies' identify future qualified specialists. Over the course of the program, REAP will continue to facilitate industry linkages between vocational college, universities and the private sector and anticipates more grantees joining the MOU in late Spring once their businesses are fully operational.

During Q1, REAP continued its internship program across its three offices and engaged 17 interns from ISET, International Black Sea University, Agricultural University of Georgia, Akaki Tsereteli Kutaisi State University, and Telavi State University. To gain practical experience and improve their awareness of modern technologies, REAP actively involves the participation of its interns and university students at technical assistance events. To this end, REAP facilitated the participation of students and professors

from the Agricultural University of Georgia and Georgian Technical University at REAP's no-till field day in Dedoplistskaro and at Lomtagora's Open Door Day. REAP will continue this approach and ensure broad participation of students at its events.

Special Initiatives

Collaboration with the State Ministry for Diaspora Issues

In October, longstanding discussions of partnership opportunities between REAP and the State Minister's Office for Diaspora Issues (MOD) resulted in a signed MOU between USAID and the MOD. Signed at the Agriculture Enterprises as Role Models Conference, part of USAID's International Diaspora Week, the MOU outlines specific cooperation initiatives aimed at strengthening commercial farming in Georgia. Initiatives outlined in the MOU include: facilitating the participation of migrant Georgians in commercial farming, supporting the development of women-owned agribusinesses, and establishing a "Pilot Commercial Village".



The conference was attended by the Prime Minister, Minister of Diaspora Issues, US Ambassador to Georgia, USAID Mission Director and the head of USAID's Diaspora Engagement Alliance. The conference helped establish initial linkages between successful agricultural enterprises, REAP grantees and non-grantee beneficiaries and members of Georgia's diaspora. In addition, six of REAP's grantees made panel presentations highlighting their businesses, challenges they have faced and opportunities for growth in their sub-sector. As an immediate follow up, several meetings were organized with the MOD to discuss how REAP can help diaspora representatives contribute to effective implementation of agricultural projects in the specific regions of Georgia and actions will be taken with the direction of the MOD and USAID.

DCFTA

The Deep and Comprehensive Free Trade Agreement (DCFTA) as a part of the Association Agreement between Georgia and the EU will create a strong impetus and new opportunities for Georgian firms to export agricultural products and services to EU markets. To capitalize on opportunities created through the DCFTA, in early October REAP contracted a consortium of Agricultural University of Georgia and Free University to analyze specific export opportunities, hold workshops on DCFTA to benefit the agricultural community and to provide tailored recommendations for REAP beneficiaries to meet relevant EU regulations and to adhere to standardization procedures.

In October, REAP held an introductory presentation on its DCFTA initiative for 18 REAP grantees whose operations are directly affected by the DCFTA. Over the course of Q1, consortium experts continued to meet individually with the enterprises to understand their specific business operations and to explain how the DCFTA will affect their operations. The result of these individual consultancies will be a tailored road map for each grantee on relevant DCFTA requirements and implementation guidelines for adhering to these requirements. In late January, REAP plans to organize a three-day workshop for grantees, non-

grantees and the donor community focusing on DCFTA areas relevant to agribusinesses such as rules of origin and tariffs, sanitary and phytosanitary measures, food labelling, customs, and hygiene rules. REAP is working closely with the donor community and government agencies informing them of their activities and findings and in Q1 met with MOA, APMA, PM's Economic Council, MOESD's Entrepreneurship Agency, and EU/ENPARD. REAP intends to share all results and findings including an already developed DCFTA Analysis Report that provides an overview of DCFTA requirements for agribusinesses and related recommendations with relevant stakeholders and beneficiaries.

Accreditation for Agropharm Plus

In PY1, REAP developed a technical assistance plan for its grantee, Agropharm Plus, to obtain ISO 17025 (General Requirements for the Competence of Testing and Calibration Laboratories) accreditation. Agropharm Plus is developing a modern agricultural laboratory that will provide soil and pest analysis, agricultural product testing and plant insect and disease detection for farmers in Guria and throughout West Georgia. ISO 17025 accreditation is necessary for Agropharm Plus to provide certified and internationally recognized testing results to its clients and will bring Agropharm Plus in line with DCFTA requirements.

To support Agropharm Plus obtain its accreditation, REAP contracted a local accreditation consultant to provide detailed recommendations and instructions on all necessary procedures needed for obtaining ISO 17025 certification. In Q1, the consultant guided Agropharm Plus employees through their tailored action plan and developed their internal quality manual and procedures. This internal quality manual is a critical component for ISO accreditation and REAP envisions Agropharm Plus receiving their accreditation by Q3.

USAID/Azerbaijan and ASAP Visit to REAP

In October, REAP hosted a five day visit from USAID/Azerbaijan and USAID's newest agricultural development program in the Caucasus, the Agricultural Support to Azerbaijan Project (ASAP). ASAP, also implemented by CNFA, aims to strengthen agribusinesses and commercial farmers in the hazelnut, pomegranate, orchard crops and vegetables. Over the course of the five day exchange, USAID/Georgia, USAID/Azerbaijan, REAP and ASAP discussed synergies across the two programs, visited existing grantees and hazelnut processors, and met



with Ferrero's subsidiary AgriGeorgia to discuss collaboration between Ferrero and USAID/Azerbaijan and continuing support to the Georgian Hazelnut Growers Association (GHGA). REAP and ASAP continue to communicate on a regular basis, sharing relevant implementation documents, lessons learned and best practices to ensure efficient and effective implementation across the two programs.

Collaboration with AgriGeorgia

Building off of discussions held during the REAP/ASAP visit to AgriGeorgia, REAP and AgriGeorgia's management met in December to discuss concrete areas of collaboration. REAP and AgriGeorgia in

principle agreed to collaborate in the following areas: a) access to finance for GHGA members; b) assistance in establishing a modern warehouse; and c) technical assistance to agronomists. Following the meeting, REAP submitted proposed interventions and is waiting for feedback on AgriGeorgia's proposed activities.

Financial and Expenditure Summary:

USAID Contract No.:	AID-114-C-13-00002
Date of Issuance:	October 1, 2013
Total Potential Amount:	\$19,589,463
Total Funds Expended through 11/30/14:	\$3,917,153
Total Projected Funds to be Expended in Quarter 1, Year 2:	\$1,263,489
Total Projected Funds to be Expended in Quarter 2, Year 2:	\$1,500,000

Key Constraints:

Programmatic

Procurement: Due to REAP's authorized geographic code, 937 and 110, the project continues to face significant challenges in procuring processing equipment for fresh fruit and vegetables. Currently, there is limited demand for this equipment and companies within REAP's authorized geographic code do not readily produce or supply this equipment. To avoid delays in grant projects' start-up, REAP is working with grantees to identify alternative equipment providers and is proactively trying to establish linkages with suppliers from the CIS Fresh Fruit and Vegetables Conference.

Grant Funding: With applications evaluated and scored from REAP's third RFA, REAP continues to be confident in its ability to obligate all of its grant monies prior to project month 30. Through five quarters, REAP's grant funds have proven to stimulate investment into the agriculture sector, increase rural employment and foster linkages between producers and processors. Key to this success are REAP's systems and procedures that effectively and efficiently identify and attract quality entrepreneurs that are willing to invest in their business and stimulate agricultural growth. Should additional grant funding become available, REAP could cost effectively increase the number of successful agribusinesses it can launch that would have an immediate and measurable economic and development impact.

Annex A: Map of REAP Grantees

